

P 051255Z AUG 08  
FM AMEMBASSY KABUL  
TO SECSTATE WASHDC PRIORITY 5022  
INFO DEPT OF TREASURY WASHINGTON DC 0655  
AFGHANISTAN COLLECTIVE  
NATIONAL SECURITY COUNCIL WASHINGTON DC  
CIA WASHINGTON DC  
DIA WASHINGTON DC  
DEPT OF COMMERCE WASHINGTON DC

UNCLAS KABUL 002066

DEPT FOR SCA/FO, SCA/RA, AND SCA/A  
DEPT PASS AID/ANE  
DEPT PASS USTR FOR GERBER AND KLEIN  
DEPT PASS OPIC FOR ZAHNISER  
DEPT PASS TDA FOR STEIN AND GREENIP  
NSC FOR JWOOD  
TREASURY FOR LMC DONALD, ABAUKOL, BDAHL, AND MNUGENT  
COMMERCE FOR DEES, CHOPPIN, AND FONOVIKH

E.O. 12958 N/A

TAGS: [EAID](#) [ECON](#) [PREL](#) [PHUM](#) [ENRG](#) [EAIR](#) [AF](#)

SUBJECT: Afghan President's Incoming Senior Economic Advisor  
Promises Reformist Approach

1. [U] Not for Internet distribution.

2. [SBU] Summary. Officers of the Economic Section met July 28 with Omar Zakhilwal, currently CEO of the Afghanistan Investment Support Agency, who is slated to become Afghan President Hamid Karzai's senior economic advisor, to replace Ishaq Nadiri. Like Nadiri, Zakhilwal has earned a Ph.D. degree in Economics; unlike Nadiri, he appears to believe in the free-market system, which bodes well for policy formulation and the Embassy's dealings with him. Zakhilwal acknowledges the difficulties he will face in moving forward on a reform agenda in the coming year prior to national elections, but is optimistic that a rumored change in key ministers will help unstuck a stalled economic agenda. End summary.

3. [U] In late June, reports started coming out of the always-active Afghanistan rumor mill that Omar Zakhilwal, currently Chief Executive Officer of the Afghanistan Investment Support Agency (AISA), would become Afghan President Karzai's new senior economic advisor, replacing Ishaq Nadiri. AISA - the organization which licenses all foreign direct investment and all substantial domestic investment - is well known to the Embassy, and the Economic Section has met and consulted with Dr. Zakhilwal and his organization often during the past few years. We used the new EconCouns' arrival at post to explore Zakhilwal's plans in his new position.

4. [U] Zakhilwal was enthusiastic about his impending confirmation by the Cabinet as President Hamid Karzai's senior economic advisor. He portrayed himself as a "strong advocate of the free market" and of the private sector, noting that he viewed the role of government as giving "this nascent free-market economy the space to flourish." He noted - as have we - that several Ministers were not supportive of the free market, recalling a time last fall when the President ordered the Attorney General and the Minister of Interior to control prices of foodstuffs. Because that action is not supported by Afghan law, it was quickly rolled back, after Zakhilwal showed Karzai that Afghan inflation was largely imported (and after the Embassy and the IMF, possibly among others, complained to the Karzai Administration). However, food stores and warehouses in several cities were raided and businesses had their stocks impounded before the government let it be known that it had no legal basis to enforce price controls.

5. [U] Zakhilwal was also eager to talk to us about some of his preliminary ideas for how his office would be structured. He described an ambitious terms of reference he hopes President Karzai will approve, and said he will also seek the latter's concurrence in making his office a decision-making body. If Karzai approves, he would have within his office a policy analysis/policy formulation unit, as well as a unit whose focus is to "enable" the private sector.

¶6. [SBU] Zakhilwal views his future position as being "30-40 percent in the service of the private sector." In his view, his role at AISA provided him a unique perspective (for a government official) on impediments to business in Afghanistan. He noted that while he was not in a position to set economic policy at AISA, he hopes soon to be able to combat both procedural problems and the problematic mindsets of those, including ministers, who don't trust the free market. The procedural problems he mentioned have largely to do with laws/regulations that need either to be eliminated -- such as the mortgage tax and import duties on manufacturing machinery -- or passed (septel). As an anecdote about mindsets, Zakhilwal recounted that 5-6 years ago, if his father in Jalalabad (Nangarhar province of Afghanistan) wanted to call him, he had to travel to Peshawar (Pakistan) to use a telephone company kiosk. Now, almost everyone has a cell phone, rates are affordable, and the mobile telephone companies are adding tens of thousands of new subscribers monthly. Nevertheless, according to Zakhilwal, the Minister of Commerce and Industry is among those complaining that the mobile telephone companies' shareholders are "enriching themselves."

¶7. [U] EconCouns asked Zakhilwal how he intended to engage with the Afghan private sector and whether the government could enlist the help of the private sector in setting policy. Zakhilwal described debilitating factional rivalries among chambers of commerce and implied that the private sector here was not yet competent enough to provide advice. He noted, though, that except for some financial laws, the government rarely consulted stakeholders in the lawmaking process.

¶8. [U] During the coming year, Zakhilwal saw the problems of job creation and high food prices as those that would most challenge the government. He said the government had to do a better job about communicating its achievements. He noted that the Taliban had done a good job in communicating the perceived failures of the government, with the result that most Afghans believe that "billions of dollars have been wasted." He called upon the government -- or himself, in his upcoming role -- to publicize its "soft achievements," such as the improved road system (a once hard 12-hour trip from Kabul to the border post in Jalalabad now only takes two hours on a smooth road) and mobile telephony. He seemed optimistic about his ability to positively affect economic laws and regulations, and is full of energy and ideas -- about which he will invite Embassy input -- for his role as economic advisor.

¶9. [U] Biographic information: Omar Zakhilwal emigrated to Canada from a refugee camp in Peshawar, earning a Ph.D. in Economics (Carleton University, Ottawa, Canada), where he taught for a period of time. Returned to Afghanistan in 2002. Before becoming AISA CEO, Zakhilwal served as the Chief Policy Advisor at Afghanistan's Ministry of Rural Rehabilitation & Development. Zakhilwal has been a member of the Supreme Council of Da Afghanistan Bank (Afghanistan's Central Bank) and teaches Economics at Kabul University. Married with one son born about 2003; his family lives with him in Kabul. Was previously offered several positions in the government including Deputy Minister of Commerce and Deputy Minister of Interior, but declined. Sees himself as an academic; claims no business interests of his own. Ethnicity: Pashtun from Jalalabad, Nangarhar province. Speaks excellent English.